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BEFORE THE ARIZONA CORPORATION COMMISSION

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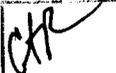
Arizona Corporation Commission

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ARIZONA CORPORATION COMMISSION,
Complainant,

DOCKET NO: T-01051B-02-0871

v.

QWEST CORPORATION,
Respondent.

NOTICE OF FILING
REPLY TESTIMONY

Staff of the Arizona Corporation Commission hereby files the Reply Testimony of Matthew J. Rowell, of the Utilities Division, in the above-referenced matter.

RESPECTFULLY SUBMITTED this 3 day of June, 2003.

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REPLY
TESTIMONY
OF
MATTHEW ROWELL

ARIZONA CORPORATION COMMISSION
Complainant
V.
QWEST CORPORATION
Respondent

DOCKET NO. T-01051B-02-0871

JUNE 3, 2003

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MARC SPITZER – Chairman
JIM IRVIN
WILLIAM A. MUNDELL
MIKE GLEASON
JEFF HATCH-MILLER

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| ARIZONA CORPORATION COMMISSION |) | DOCKET NO. T-01051B-02-0871 |
| Complainant, |) | |
| V. |) | |
| QWEST CORPORATION |) | |
| Respondent |) | |
| _____ |) | |

REPLY

TESTIMONY

OF

MATTHEW ROWELL

CHIEF: TELECOMMUNICATIONS AND ENERGY SECTION

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

JUNE 3, 2003

1 **Q. Please state your name and business address for the record.**

2 A. My name is Matthew Rowell. My business address is: Arizona Corporation Commission,
3 1200 West Washington Street, Phoenix, Arizona 85007.

4
5 **Q. Are you the same Matthew Rowell who submitted Direct Testimony in this Docket on**
6 **April 17, 2003?**

7 A. Yes.

8
9 **Q. What is the purpose of your testimony?**

10 A. The purpose of my testimony is to reply to selected points contained in the Rebuttal
11 Testimony filed on May 15, 2003, by William R. Easton of Qwest Corporation.

12
13 **Q. On page 9 lines 7 through 20 of his testimony Mr. Easton discusses the need to make**
14 **wholesale rate changes on a carrier by carrier basis. Please comment on Mr.**
15 **Easton's points.**

16 A. Mr. Easton states that because interconnection agreements ("ICAs") have been negotiated
17 at various points in time since 1996, contractual provisions and structures concerning rates
18 vary from ICA to ICA. This necessitates a review of each ICA to determine how the
19 Commission's order affects each agreement. Given the current state of Qwest's
20 operations this is true; however I would like to point out two factors that cause Staff to be
21 unsympathetic to Mr. Easton's arguments on this issue. First, the review of the
22 agreements could have started well before the cost docket order was finalized. Qwest was
23 aware of which rates were under consideration in the cost docket well before the docket

1 was concluded. Thus, before the cost docket was concluded Qwest could have begun
2 reviewing ICAs to determine which ICAs contain rates that may be affected by the cost
3 docket and could have begun to map product names and rate elements from the ICAs into
4 those being considered in the cost docket.

5
6 Second, Qwest could have undertaken a process that allows for easier review of its ICAs.
7 For instance, even in the absence of a cost docket Qwest could have mapped the varying
8 product names and rate elements into a common set of product name and rate elements. A
9 database could have been created that indicates which rate elements are contained in
10 which ICAs. Then a data base query could be used instead of a manual review of every
11 contract.

12
13 These are just two points that illustrate that the cumbersome nature of Qwest's rate
14 implementation process is not fundamental. It is a result of Qwest's failure (for whatever
15 reason) to develop and implement a process that is less cumbersome.

16
17 **Q. On Page 11 Line 6 of his testimony Mr. Easton indicates that 126 CLECs were**
18 **involved in the Arizona Cost Docket Implementation. Do you have any comment on**
19 **that number?**

20 **A.** Yes. There are a total of 126 CLECs certificated to do business in Arizona but only 78 of
21 them are certificated to do business on a facilities based basis.¹ The balance of the CLECs

¹ Qwest confidential response to Staff data request 25-1.

1 are resellers only. No resale rates were changed in the cost docket.² Thus, the cost docket
2 order was actually only relevant to 78 of the CLECs.

3
4 **Q. On page 11 line 18 through page 12 line 7 of his testimony, Mr. Easton lists eight**
5 **recent cost dockets and states that “Qwest implemented all these comprehensive cost**
6 **dockets sequentially in the order of their effective dates.” Please comment.**

7 A. It is true that the cost dockets Mr. Easton lists on pages 11 and 12 of his testimony were
8 implemented sequentially in the order of their effective dates. These are the same
9 agreements listed in Table 1 of my Direct Testimony at page 9. It is important to note that
10 these are *not* the cost dockets associated with Staff’s recommendation that Qwest be held
11 in contempt.³ The cost dockets that are associated with Staff’s contempt claim are those
12 listed in Table 2 of my Direct Testimony.⁴

13
14 **Q. On page 15 lines 2 through 10 Mr. Easton responds to Staff’s belief that Decision No.**
15 **64922 required Qwest to implement the rates immediately. Please respond to Mr.**
16 **Easton’s views on this point.**

17 A. Mr. Easton contends that the order required the rates to be “effective” immediately but not
18 “implemented” immediately. Rather than engage in a debate on semantics I will simply
19 restate the point from my Direct Testimony at page 13: “If immediate implementation was
20 practically impossible Qwest should have sought relief from the Commission.” Further, if

² Qwest response to Staff data request 24-8.

³ See Direct Testimony of Matthew Rowell at page 15.

⁴ Direct Testimony of Matthew Rowell at page 10.

1 implementation in a reasonable time frame were impractical Qwest should have sought
2 relief from the Commission.

3
4 **Q. On page 16 and 17 of his testimony Mr. Easton discusses benchmark rates and the**
5 **implementation of certain voluntary rate reductions in other states ahead of Arizona.**
6 **Please respond.**

7 A. Staff contended in its Direct Testimony that Qwest's implementation of wholesale rates in
8 nine other states ahead of Arizona constituted contempt of the Commission.⁵ Mr. Easton
9 attempts to justify Qwest's actions by stating that, "Since these rate changes were made
10 based on reference to benchmark rates adopted in Colorado, it was more efficient to
11 implement the voluntary changes on an integrated basis." However, Mr. Easton provides
12 no support for this statement. The explanation of benchmark rates on page 17 of his
13 testimony explains why benchmark rates are easier to develop but it offers no insight on
14 why benchmark rates would be easier to implement. The benchmarking process starts
15 with rates approved in one state as TELRIC compliant and then uses the FCC Universal
16 Service Fund Cost Model for state cost differences to determine if rates in other states fall
17 within a "zone of reasonableness." Rates that do not fall into the "zone of reasonableness"
18 are then adjusted such that they do fall into it. This is a much more simple process than
19 the typical contested cost docket case. (Although I suspect the real time savings came
20 from the fact that Qwest was *voluntarily reducing* rates rather than the method they used
21 to determine the new rates.) However, the benchmarking process has nothing at all to do
22 with rate implementation which is the subject of this docket. Whether rates are developed

⁵ Direct Testimony of Matthew Rowell Page 15, lines 1-15.

1 through a traditional cost docket or whether they are developed on a voluntary basis using
2 the benchmarking process, after they are developed they still need to be implemented. Mr.
3 Easton's benchmarking discussion is a red herring. The issue here is rate implementation
4 not rate development.

5
6 **Q. Please respond to Mr. Easton's statements on page 19 of his rebuttal testimony**
7 **concerning Staff's recommendation that an independent auditor be hired to evaluate**
8 **the effectiveness of Qwest's process and systems changes.**

9 A. Mr. Easton argues that an independent auditor is unnecessary because the specifics of the
10 system that Qwest uses to accomplish improvements in its processes should not concern
11 the Commission and that "(t)he Commission's legitimate concern is that Qwest implement
12 the rates in a timely manner." To clarify Staff's position, we agree that the specifics of
13 Qwest's efforts to improve its process are not our concern. We are recommending that an
14 auditor be hired to determine whether the *results* of Qwest's process improvements will
15 result in acceptable cost docket implementation time frames. We are not concerned with
16 how Qwest makes those improvements or what improvements Qwest decides to make. We
17 are concerned that real improvements in the process are made. We believe that an auditor
18 is necessary because without one there will be no way for the Commission to verify that
19 the process improvements were actually made and that they will result in actual
20 improvements in Qwest's rate implementation time frames.

21
22 **Q. Does this conclude your testimony?**

23 A. Yes, it does.

EXHIBIT A

Arizona
T-00000A-00-0194 and T-01051B-02-0871
STF 24-008

INTERVENOR: Arizona Corporation Commission Staff

REQUEST NO: 008

This question refers to Attachment A of Qwest's response to Staff's 22nd set of Data Requests issued under Docket No. T-00000A-00-0194. Attachment A indicates that resale rates needed to be changed as a result of Phase II of the Arizona Cost Docket. Please indicate which resale rates needed to be changed as a result of Phase II of the Arizona Cost Docket.

RESPONSE:

Qwest objects to this request on the grounds that it is not clear what Staff is referring to, and requests clarification. Notwithstanding this objection, Qwest states that Resale rates did not change in Phase II in Docket No. T-00000A-00-0194.

Respondent: Legal